Austerity, Subsistence, or Investment: Will Congress and the President Choose to Bail Out Our Children’s Future?

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Executive Summary

The aggregate cuts to education budgets currently described as inevitable are in fact a political choice for the federal government, and they will inflict serious harm on children. This policy memo lays out the three options now facing the federal government. Austerity, whereby states suffer budget shortfalls unaided by the federal government, leading to massive teacher layoffs and other resource deprivation. Subsistence, whereby the federal government backfills state budgets to maintain the status quo. Investment, whereby the federal government responds to this crisis with the initiative to drive a national renewal of our public education system. This policy memo aims to assist policymakers and the public in understanding the larger context for the calls for federal stimulus spending to support public education. It makes the case for why the country cannot afford to cut education spending at a time of increasing needs for children and families. In fact, history and evidence counsel in favor of increased spending for children and the economy to emerge from this crisis in healthy shape. We ask the question: If policymakers are willing and able to put trillions toward supporting wealthy investors and bolstering financial markets, how can they deny a fraction of that to our children to save their futures?
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As the United States wrestles with the economic fallout of the COVID-19 pandemic, states across the country are projecting 10-20% reductions in expected revenue this year, with even larger decreases in 2021-2022.¹ Such cutbacks are likely to lead to corresponding reductions in education spending. But let’s be clear: these budget cuts are a political choice by the federal government, which can remedy the situation.²

Policymakers are now faced with essentially three options: austerity, subsistence, or investment. Austerity — states suffer budget shortfalls unaided by the federal government, leading to massive teacher layoffs and other resource deprivation. Subsistence — the federal government backfills state budgets to maintain the status quo. Investment — the federal government uses this crisis as an opportunity to drive national renewal for our public education system.

These options present a core policy choice. Instead of an estimated trillion dollars in overall state budget cuts, the federal government can deploy the same Keynesian approach that got us out of the Great Depression: short-term deficit spending as a public investment to address our present crisis and to increase our potential for generations to come.³ If policymakers decide today to let resources evaporate from state budgets, our education system will lose an estimated $200 billion at a time when those resources are needed most. Most cities and states have already explained that budget reductions of that magnitude will require significant cuts to teaching and support-staff positions, at a time when students need additional one-on-one relationships and assistance. That choice will result in deep harm to our children’s learning, wellness, and futures. They will be deprived of vital supports as they navigate the disruption and trauma of COVID-19, while schools grapple with the unrealistic

http://nepc.colorado.edu/publication/austerity
task of reducing staff while maintaining smaller class sizes for social distancing.

As discussed below, we do not argue for a blank check. Instead, we suggest identifying key education investments based on research and community feedback. In doing so, the U.S. would be following the example of countries like Finland that have invested in their education systems, achieved top results for decades, and generally prospered. From their perspective, the Finns have simply taken the best American ideas about education and actually applied them, which means that the United States can follow, albeit belatedly, the past advice of its own citizens. The same is true for investment in the economic system, where policymakers would be following lessons from abroad but also the nation’s own example of recovery from the Great Depression. That recovery occurred because of increased investment through shared progressive tax responsibility, and it led to an era of expanded prosperity across social classes. While the current “supply side” economic system differs from the Keynesian model described above, the twin engines of shared responsibility and prosperity remain in the DNA of the U.S. and should serve as a strong national response to the pandemic.

**History Favors Investment, Not Austerity**

Beginning in 2008, the Troubled Asset Relief Program (TARP) rescued financial institutions and related sectors. However, that stimulus intervention was too limited. The Great Recession inflicted spending cuts on public education of around eight percent, and the school budgets in some states have not fully recovered. In 29 states, education funding was lower in 2015 than in 2008, and “in 17 states, the cut was 10 percent or more,” while only five states increased budgets by over 10 percent. (See the below graph, reproduced from a 2017 report by the Center on Budget and Policy Priorities.) If Congress and President Trump fail to act now, the expected cuts will likely be around 16 percent, or twice the aggregate 2008 budget cut of eight percent. Evidence from Kansas’ supply-side experiment shows that such disinvestment dilutes education provision to the detriment of schools and students. Drawing on evidence from the Great Recession, economist Josh Bivens warns that an austerity approach now would be catastrophic.
Michael Griffith, Senior Researcher and Policy Analyst at Learning Policy Institute, explains that a 20 percent cut “would likely be equivalent to the loss of nearly 750,000 teaching jobs.” With staffing cuts of even a fraction of that number, class sizes, already substantially larger than research-based recommendations, would become unmanageable. Students and their schools would also face cuts in support staff such as guidance counselors and mental health clinicians, at a time when children have been exposed to the additional trauma tied to disease, death, and unemployment.

None of this is inevitable. In many other countries facing comparable challenges, leaders have refused to impose austerity on their children, families, and communities, instead choosing to invest in disease control, continued employment, and necessities for living. While European countries have different systems and more substantial tax rates when compared to the current U.S. system, they do not differ much from previous 20th century iterations in the United States. Our leaders can make similar choices again. Investments made today are likely to speed the economic recovery while preserving opportunities for later generations. Whether deemed a stimulus, an investment, or a bailout, leaders could choose to direct re-
sources to our children and their public education system, just as the federal government has bailed out airlines, banks, and other major industries.

The current choices represent a stark contrast. While the federal government has thus far balked at substantially supporting states and local governments, and while it has provided very limited aid to the average person struggling to pay bills in a decimated economy, private investors making risky bets have received ample support. Through the Federal Reserve Bank, the federal government has assured investors that they can continue making those risky bets – or what should be risky bets in a true market system – with very little actual risk. For example, the Federal Reserve announced that, for the first time in history, it would buy non-government bonds, including corporate and “junk” bonds, immediately “restarting the frozen corporate debt market” and assuming private sector risk. Consider this statement from JPMorgan economists, as reported by ProPublica: “Even if a second wave of outbreaks were to occur, the Fed has explicitly indicated that there is no dollar limit and no danger of running out of ammunition.” This is an interesting and compelling framing, and it raises the question of whether there is a dollar limit on the future of the nation’s children.

In truth, the federal government is uniquely positioned to make large investments in times of crisis to save industries. Such stimulus spending is worth the short-term expenditure because of the long-term payoff of economic recovery – minimizing job loss and maintaining industries that will contribute to the economy and tax revenue. But the federal government is also uniquely positioned to save the public sector, and doing so would create those same – and additional – benefits. Stimulus spending in public education has three, interrelated benefits: (a) preserving a foremost public good that is the linchpin for societal well-being; (b) assisting in the economic recovery by providing current jobs and future tax revenues; and (c) preparing high-skilled, high-wage earners who will contribute to the future economy.

Since states cannot generally engage in deficit spending, they are facing painful decisions about where to cut shrinking budgets. But the federal government can and does engage in deficit spending – a strategy shown to be effective in stimulating economic recovery in times of crisis. The CARES Act is a relatively small and clearly insufficient step away from austerity for education, amounting to the “equivalent to only $286 per pupil, on average.” This spending is not nearly enough to cover the anticipated cuts to local and state education budgets. Yet, notwithstanding the current default thinking, such austerity is not the only option for federal policymakers.

The Subsistence Bailout

In April, “school districts nationally furloughed or laid off nearly half a million workers.” Austerity will only increase the current pain; we cannot starve our way out of this crisis. Refusing to fall into that disinvestment trap will help create long-term social and economic benefits for children and families, with direct ripple effects for the business community and the larger economy that relies on high-caliber talent for its success.

Public education experts across the country are calling for $175-$200 billion in federal stimulus funding for P-12 education, to cover estimated shortfalls to state and local funding.
for schools over the next two years. This amount would be the bare minimum needed to fill state and local gaps imposed by the crisis on school budgets; it would simply maintain the current resources of our education system. It would not provide other needed funding: to address students’ growing mental health and trauma-related needs associated with the COVID-19 crisis, to provide the additional meals needed by children now being driven into poverty, to purchase remote learning resources for the fall, to cover additional staff needed to manage smaller class sizes as well as increased and daily sanitizing being mandated by social distancing precautions, or to pay for extended school days to make up for lost learning time.

To put the $200 billion price tag in perspective, the four major airline corporations alone received $25 billion in federal grants and low-interest loans from the CARES Act in response to the pandemic, and in 2008 banks received an initial $700 billion in federal bailout money with a federal commitment of up to $16.8 trillion to protect the private banking industry from failing. U.S. military expenditures have increased by $166 billion since 2016 to $934 billion in 2020, which is more than . . . “the next 10 largest government expenditures combined.” The 2017 Tax Cut and Jobs Act is predicted by Congress’ Joint Committee On Taxation to add $1 trillion to the deficit over the next 10 years. So while the immediate challenges facing our public schools are financially daunting, they are well within the range of federal budgetary expenditures, when the government perceives the need.

To understand why a subsistence bailout at minimum is necessary, consider what the past few months have reinforced about the multiple roles played by our public schools. School closures have intensified academic inequities while also exacerbating vast inequalities in access to basic needs. Beyond their core academic mission, schools provide essential nutrition for students who would otherwise go hungry, mental health services, physical health exams (and often dental and eye exams), career and technical education, extracurriculars such as drama and athletics, much-needed childcare, and similar assistance. They address the special needs of exceptional students, including those with disabilities and those whose first language is not English. Some schools support their students and families in additional ways, such as connecting them with valuable community resources to support their financial, legal, and healthcare needs. While these needs are not news to those working within the school system, the COVID-19 crisis has highlighted for a wider audience the increased needs of many marginalized students.

When these resources disappear from schools, they can disappear from children’s lives. This is in part because we ask our public schools to compensate or substitute for missing or inadequate welfare systems such as those provided by other western democracies. In fact, a core American belief is that our schools play the role of the “great equalizer.” We ask and expect schools to provide the nation’s children with an education that will somehow be of such high quality that it will overcome all the inequalities of larger society. As irrational as that sounds, politicians have made the promise even more absurd by consistently underfunding those same schools. Public education systems have consistently borne the brunt of budget
cuts — even in times of economic growth. This was never a wise approach, and it’s more unwise in the midst of a pandemic.

The impact of education cuts and loss of teaching jobs has never affected all children equally. African American, Native American, Latinx, and low-income children are the hardest hit by austerity. This adds insult to injury, given the entrenched racism and discrimination reflected, even today, in the segregation of students of color into buildings lacking the most basic learning resources and supports. The recent Sixth Circuit Court of Appeals decision in *Gary B. v. Whitmer* explains that our children have a constitutional right to literacy, a right that was horrifically violated in Detroit pursuant to the plaintiffs’ detailed allegations. Internationally, the Abidjan Principles illustrate how countries have already declared free, high-quality, public education as a human right.

In fact, far from providing the resources necessary for schools to be great equalizers, most states fall below necessary funding levels for their highest poverty children to achieve national average outcomes; and high-poverty school districts in several states fall thousands to tens of thousands of dollars short, per pupil, of funding required to achieve that goal [of achieving national average outcomes].

The Great Recession deprived all districts of resources, but it hit the poorest hardest. Affluent school districts lost about $500 per student in state funding, on average, compared to high-poverty districts that lost over $1,500 per student. In most states, affluent districts still receive more funding from state and local governments than poorer districts. Federal programs like Title 1 and IDEA are designed to compensate for these funding inequities at the state and local levels, but Congress has never fully funded Title 1 or IDEA programs. The Alliance to Reclaim Our Schools calculated that “between 2005 and 2017, public schools in the U.S. were under-funded by $580 billion in Title 1 and IDEA federal dollars alone — money targeted specifically to support 30 million of our most vulnerable students.”

Note that while we focus here on the subsistence-level bailout for P-12 education, we also firmly acknowledge the needs of other sectors of the economy and society. In particular, the needs of children and their families must be addressed outside of schools as well. Providing resources for schools can only accomplish so much if those children are facing desperate insecurity in their housing, food, and healthcare. To achieve the actual benefits of increased investment, public sectors cannot be forced into debilitating competition with each other.

**Investing in Our Future**

Given the ongoing unprecedented and inequitable damage to the physical, mental, and economic health of children and their communities from long-term underfunding of schools and the additional impacts of the COVID-19 pandemic, we contend that merely backfilling state and local budgets will be inadequate. If federal policymakers settle for a “status quo” education stimulus package with a price tag of $200 billion, they will be choosing to leave much of that damage unaddressed.

Imagine instead that we use this moment to fully fund our public education system to pro-
vide all children with the opportunity to succeed. Imagine if local, state, and federal decision-makers worked together on a stimulus package that would allow our children and their schools to move past the status quo inadequacies and inequities.

Before the onset of the current pandemic, the NEPC and the Schott Foundation began working with leading education funding experts, community members, and parents to calculate the full “price of opportunity.” We ask what it would take for schools to really become the great equalizer that politicians love to rhetorically embrace. As part of this project, we have engaged local communities and educators in Colorado to understand what resources and supports are needed to truly design schools as “great equalizers.” These would be schools where students, regardless of socioeconomic and racial/ethnic backgrounds, receive the supports they need to fully develop their lives and talents and to achieve academic and career success.

The community members and others we spoke with (pre-pandemic) consistently highlighted the importance of mental and physical health supports; smaller class sizes; experienced, skilled, and racially/ethnically representative educators; culturally responsive education; restorative behavioral practices as an alternative to suspension and expulsion; and genuine personalized learning plans for students grounded in teacher-student relationships that meet the students where they are and provide rigorous, tailored learning to exceed minimum grade-level learning standards. They recommend models like community schools that create shared ownership and decision-making to empower parents, students, and educators while providing holistic case management and supports to meet the larger housing, economic, and legal needs of students and families working hard through adversity and unfair barriers to success. These types of models have been in place in many communities across the country for decades and demonstrate excellent results when fully implemented with fidelity.

In addition, we recently convened a group of over 20 Colorado educators and parents to explore what they needed most amidst the pandemic to address children’s urgent needs. Again, they highlighted social-emotional supports, as well as equity-focused resources targeted to meet academic and non-academic needs of those students most harmed by the current crisis. To address these needs in this moment, and to begin revitalizing public school systems as our educators and communities have imagined, federal policymakers will have to budget well beyond the $200 billion, taking into account state variances and focusing on high-need populations.

There Is No Shortcut

Some think tanks and politicians have been pushing the idea of permanently restructuring public education to rely less on in-person classrooms and more on cyber-schooling. Online schooling can be provided on the cheap, since it obviates the role of teacher-intensive personalization. In a time of slashed budgets, a technological solution is indeed appealing. But the promise is false and dangerous.

Online resources, including some learning software, can be useful in the hands of a skilled
educator — but they are tools, not replacements. Think back to the earlier descriptions of the goals we ask our schools to achieve:

Beyond their core academic mission, schools provide essential nutrition for students who would otherwise go hungry, mental health services, physical health exams (and often dental and eye exams), career and technical education, extracurriculars such as drama and athletics, much-needed childcare, and similar assistance. They address the special needs of exceptional students, including those with disabilities and those whose first language is not English. Some schools support their students and families in additional ways, such as connecting them with valuable community resources to support their financial, legal, and healthcare needs.

Virtual schools have failed even to fulfill the core academic mission; their outcomes are a mix of poor academic performance and outright fraud. Furthermore, schools function not just as a resource for the individual but as a community, and children gain social, emotional, and behavioral benefits from being in physical spaces with a community of peers and educators. Virtual schools cannot fulfill this function, and do not even attempt to achieve many of the other goals of servicing children’s needs beyond the academic.

If policymakers blind themselves to these limitations of cyber-schooling and attempt to follow a cheaper remote-learning path as a way to “do more with less,” they will be guaranteeing grave outcomes for young people today and in the future. Students need the relationships and supports of educators and their peers now more than ever. Children, like all of us, learn when they have richer opportunities to learn. They learn when they are engaged and challenged and supported. Computers can sometimes help with this, but online education is a poor substitute for real schools, and more screen time can inhibit youth development. Permanently pivoting to cheaper online modalities will hurt a generation of children who have already suffered tremendously. The investment alternative may at first seem unrealistic, but it rises to the top after considering the dire alternatives.

Given the history of local, state, and federal policymakers systematically failing to adequately fund public schools, especially those serving students of color, asking schools now to do more with even less will predictably inflict harm on poor communities and communities of color. Rhetorically adding a “do more” goal to a budget cut does not change the reality that cutting resources and opportunities harms students.

Choosing a Future

Our policymakers are on the edge of a precipice. If they step into the budget-cut austerity abyss at this time of great crisis, they will be choosing to harm the nation’s children and, in doing so, to devalue the country’s most important asset. Recovery would become a long and arduous process. We may, in fact, never recover. As one alternative, they can choose the stopgap, subsistence option of backfilling state and local budgets, which we contend is necessary but not sufficient. In fact, the cost of education will likely be higher due to added safety measures schools will be required to take and the added needs of the returning
students. The third choice available to policymakers is stimulus investment devoted to our schools and children, especially children of color, in their time of great need, which would provide the extra benefit of saving jobs and creating new jobs to help in combating national unemployment.

A poll conducted for Politico released on May 27\textsuperscript{th} found that 37 percent of registered voters think “Reducing the federal budget deficit” should be a top priority, while 68 percent think “Stimulating the economy to recover from the coronavirus pandemic” should be a top priority.\textsuperscript{42} In fact, Republicans and Democrats expressed exactly the same urgency when asked by the pollsters about this need for economic stimulus.

This sort of extraordinary support for a policy, across the nation’s cavernous political divide, can and should drive action in Washington DC. The enormously expensive bailouts of airlines, financial markets, investors, and other elements of the economy are defended — and are arguably defensible — as necessary to prevent further pain that would be felt by “average Americans” if that larger economy collapses. But many of those average Americans are families with children in public schools. If policymakers choose to let those children sink, taking their futures down with them, then why bother bailing out the businesses that we hope will one day serve them and employ them?

Refusing the needed funding for public education systems means impoverishing our youth, our communities, our public life – our democracy. Economically speaking, it would result in hundreds of thousands additional job losses across the country in the short-term, devastate the future job market for highly skilled labor, and hurt the ability of companies to bring on new talents and grow their profits – shrinking future GDP and tax revenue. If policymakers are willing and able to put $4.5 trillion of Fed lending into bolstering financial markets through treasury funding,\textsuperscript{43} how can they deny a fraction of that to our children to save their futures?

\textit{This article was in press as the widespread reactions to racial profiling and police violence increased nationally over the past week. Therefore, while this article does not directly address the situation, these events continue to reveal the marginalization of communities of color and again show the importance of investment in these communities.}
Notes and References


2. While most states will have the capacity to respond in the longer run with spending along with revenue increases through, e.g., state income taxes and sales taxes, they are generally prohibited from going into debt. That is, they face daunting barriers to injecting immediate investments into their economies.


http://nepc.colorado.edu/publication/austerity


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36 One suggestion, for instance, was to invest in career pathways for people of color to become paraeducators and teachers, to meet the needs for a more diverse, sustainable workforce that addresses the teaching shortages.


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